

“The Smarter Supply Chain of the Future”
Round Table on
Supply Chain Optimization & Excellence
18th Feb 2011, Hotel Lalit, New Delhi

Report

OPENING SESSION

Welcome Address: Mr Pawanexh Kohli, Event Chairman & Chief -- Cold Chain Solutions Officer, Gati

Keynote Address: Dr Prashant Pradhan, Business Head – Service Management, IBM Global Technology Services

Proceedings

A smart supply chain is an imperative for a variety of businesses including the cold chain industry to continuously enhance their competitiveness. As a case in point, in the cold chain industry, a smarter supply chain would enable a company to prevent or minimise the losses in the event of a vehicle failure. The smart system will provide early warnings on periodic maintenance and procurement of spare parts and thereby forestall service breakdowns.

Setting the tone for the session, Mr Pawanexh Kohli said that a smarter supply chain would also help cold chain logistics companies to deal more effectively with the seasonality of business. Besides, it will facilitate robust demand forecasting, comprehensive data collation and streamlining of the supply chain to enhance the benefits to the customer or end-user. The system would also ensure greater visibility in the chain, he said.

A smarter supply chain delivers not just for cold chain industries but also for a whole range of businesses including IT firms. One key element of the transformation of IBM from “near death” was a smart supply chain, said Dr Prashant Pradhan. A tightly-knit supply chain helped IBM save \$3 billion over 4 years.

Over the years, IBM itself developed smarter supply chain solutions based on informed viewpoints obtained from leading companies across verticals.

A smarter supply chain is a function of new thinking. More companies today view a smarter supply chain as key to competitive advantage rather than a cost of doing business. Given that brand loyalty stems from the availability of a given product in the market, the importance of a smarter supply chain can hardly be overstated.

Yet, a smarter supply chain cannot be optimised at one go. Dr Pradhan said that the chain needs to be “agile, adaptive and smarter”.

IBM gathered the view of 400 supply chain professionals to get an insight into the major challenges in the supply chain. In the survey, 55% said that a holistic view of cost is key

to cost management (not local), 70% said that the constituents of a supply chain are getting increasingly federated and so silos won't work, 60% said that better processes, robust data and technology will result in superior risk management, 50% said demand-supply mismatches should be avoided, and 43% said that with globalisation there is increased focus on lead times and quality challenges. The survey findings underlined the growing demand for smarter supply chain solutions across verticals.

A smarter supply chain is predicated to the following:

- **Instrumented:** The whole range of data available in the network is instrumented for purposes of analysis. This can include sensor data, transactional data, event or logistics data, etc.
- **Inter-connected:** The chain works across networks and across product lifecycles as opposed to silos.
- **Intelligent:** An instrumented, inter-connected system will yield new insights.

Dr Pradhan said that in adopting a smarter supply chain, the key points to be considered are:

- **Be Outcome-Focused:** The adoption and implementation of a smarter supply chain is not a one-time data analysis or a consulting project but a journey with defined milestones.
- **Tailored:** The solution needs to be patterned to the specific need of business as the interventions called for in a cyclical business like steel are different from the ones in event-driven segments like standard retail.
- **Federated:** While a monolithic, centrally-controlled supply chain is a "fantasy", the data available in the chain should be integrated even if the ownership of the different processes is fragmented. A multi-partner collaborative platform is the need.

Dr Pradhan illustrated his presentation with a case example of how IBM worked with Gati in building a smarter supply chain. IBM deployed a truck equipped with a monitoring system to run the length and breadth of Mumbai city to capture and monitor data on delays and the action needed, diagnosis of the truck's AC unit, location of warehouses in relation to the truck movement, remote management of set points to be pushed to the vehicle, temperature management, shelf life of products on board, remote management of HVAC unit, etc. Based on data captured and analysed, the solutions were developed for Gati.

Dr Pradhan said in his concluding remarks that a smarter supply chain will yield a strong competitive advantage for the company provided it is not viewed as a quick-fix solution.

PANEL DISCUSSION

- Panel:
- Mr Pawanexh Kohli, Session Chairman
 - Mr Sandeep Sharma, VP – SCM, Barista Coffee Company Ltd
 - Mr PR Ramakrishnan, Head - Market Supply Chain Division, Honda Siel Cars India Ltd
 - Mr Alok Srivastava, Senior General Manager, TCI Supply Chain Solutions
 - Dr Prashant Pradhan, Business Head – Service Management, IBM Global Technology Services
 - Mr Jayant Ambast, Head – Supply Chain, Perfetti India Ltd

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Supply chain management has assumed mission critical importance for companies in their efforts to stay competitive. How to get more out of less is becoming the key driver for organisational growth strategies.

The panel touched upon the key issues that companies encounter with respect to supply chain, namely, greater visibility of supply chain status and key performance indicators across an extended trading network, an up-to-date view of supply chain impacting exceptions and events through specialised business dashboards, integration and ongoing synchronisation of supply chain information with partners and customers, establishing and maintaining the integrity of supply chain information through round-the-clock monitoring and partner support, and monitoring of inventory levels, stock-outs and late/expedited shipments.

Referring to the supply chain challenges and to obtain insights on what would be a meaningful way to achieve supply chain optimisation and excellence, Mr Pawanexh Kohli asked what kind of instrumentation would make the supply chain “even smarter”.

Mr Sandeep Sharma said that for his company the key challenges in the supply chain are related to the short shelf-life of the products and the sheer range of consumer preferences. Robust information flow will keep the inventory levels low and thereby reduce the overall costs, he said.

Mr Sharma said that in a sensitive, climate-controlled business like this, the other key challenge is to ensure that the data captured at different points are processed and relayed in a seamless, intelligible manner to the outlets where young brew-masters are called upon to take decisions.

He said that while the FIFO (first in, first out) method is broadly employed in supply chain, the industry should instead focus on FEFO (first expiry, first out).

Mr Sharma said that an integrated POS (point of sales) implementation would improve the supply chain management. POS is a rich data source and “if the data source does not talk well to the back end, you have a problem”.

Mr PR Ramakrishnan said that unlike an FMCG product, a car manufacturing company handles a product with a 4-5 year shelf life. So, the supply chain challenges are a lot different. Also, with every car model, the company has to continually come up with innovative options for customers, such as a new colour or limited edition so to retain the market buzz. Situations like this throw up supply chain challenges.

Mr Ramakrishnan also said that in the auto sector, an effective, efficient supply chain management system will ensure lean inventory. According to him, a smarter supply chain for the future could be only achieved by being sensitive towards customer requirements.

When asked about how reverse logistics is handled by his company, Mr Ramakrishnan said that the customer data maintained at the service stations come in handy in such situations.

Mr Jayant Ambast said that supply chain management is based on requirement of the customer. He said that a smarter supply chain management is all about maximum service being provided at minimum costs.

Mr Ambast said that non-availability of information regarding inventory does increase the cost of supply chain management. According to him, consumer and customer are two different things. He said that his company deals with customers and not consumers and hence they do not have direct access to POS data.

Dr Prashant Pradhan that a smarter supply chain will help companies deal with fast-changing consumer preferences. “So far companies have survived using a mix of data analysis and human interventions. But such a system is not durable”.

Mr Alok Srivastava was of the view that tracking a product in the supply chain is a challenge for many companies. Tractability is one of the biggest challenges in the supply chain management. He said a few companies have done an exemplary job of

tracking and replacing products without much fuss. "But we need a better system in place," he said.

Mr Kohli said that a smarter supply chain will call for collaboration and sharing of infrastructure, like the telecom industry. The opportunity lies in overcoming the challenges by becoming smarter.

The session ended with a broad consensus emerging that companies should indeed seek out smarter supply chain solutions to enhance their competitive advantage.